
**Department of Military
Affairs**

This report documents the issues noted during our financial-compliance audit of the Department of Military Affairs for the two fiscal years ended June 30, 2006. The prior audit report contained three recommendations which the department implemented. We issued a qualified opinion on the department's financial schedules presented in this report. This means the reader should use caution in relying on the presented financial information and the supporting detailed information on the state's accounting system.

This report contains six recommendations to the department concerning following required bid procedures, noncompliance with federal grant requirements, unallowable costs charged to federal programs, lack of controls over authorizing transactions, Federal Special Revenue Fund misstatements, and untimely payment of claims.

The listing below serves as a means of summarizing the recommendations contained in the report, the department's response thereto, and a reference to the supporting comments.

Recommendation #1

We recommend the department:

- A. Comply with bidding requirements in accordance with state law.
- B. Ensure appropriate segregation of duties exist for asset acquisition..... 6

Department Response: Concur. See page B-3.

Recommendation #2

We recommend the department ensure they receive certification that contractors are not debarred or suspended in accordance with federal regulations..... 7

Department Response: Concur. See page B-3.

Report Summary

Recommendation #3 We recommend the department ensure only allowable costs are charged to federal programs. 8

Department Response: Concur. See page B-3.

Recommendation #4 We recommend the department:
A. Require individuals approving claims to use their own name or initials.
B. Review transactions to ensure they post as intended. 9

Department Response: Concur. See page B-3.

Recommendation #5 We recommend the department analyze activity in the Federal Special Revenue Funds to determine and process correcting transactions to ensure compliance with state accounting policy. 10

Department Response: Concur. See page B-3.

Recommendation #6 We recommend the department pay claims in accordance with state law and department policy. 10

Department Response: Concur. See page B-4.